

A PERIOD OF ARMED TRUCE

to see Iranian nationalism express itself *only* against the West and *never* against Russia herself. Such an attitude would presuppose a strong Soviet influence on the Iranian government, and, as we shall see from a review of economic relationships, Moscow was not loath to use economic weapons to secure this end.

SOVIET-IRANIAN ECONOMIC RELATIONS

In her commercial relations with Iran, Soviet Russia followed a policy that could best be described as a combination of traditional tsarist principles with new Soviet devices. The policy of Imperial Russia was characterized by a desire to acquire exclusive economic advantages in Iran as against Western commercial penetration, and to make northern Iran entirely dependent on her northern neighbor. As a result of this policy Russia secured for herself a predominant position in Iran's foreign trade. Prior to World War I two-thirds of this trade was in Russian hands.

The Soviet State developed a special system for its trade relations with the East, which differed substantially from the pattern followed in the case of the West. When, in 1920, the Soviet foreign trade monopoly was established, the neighboring countries from the Black Sea to Mongolia were exempted from its provisions. In 1923 an official document called *Principles of Eastern Trade* codified all rules pertaining to Russia's commerce with her Asiatic neighbors. These principles were as follows: (a) Soviet industrial goods had to be exchanged for Eastern raw materials; (b) Eastern merchants individually were permitted to sell their goods in Russia; (c) Russia would not insist on a favorable balance of trade with the East; (d) mixed Soviet-Eastern companies were to be promoted;

(e) Soviet industrial goods were to be sold in the East at lower prices than they were in the West.¹²

In its practical application to Iran this general Soviet policy passed through several stages, dictated more by the economic needs and power of the Soviet State than by an altruistic regard for the needs of renascent Iranian nationalism. From the opening of Soviet- is A detailed analysis of Soviet trade methods may be found in Violet Connolly, *Soviet Economic Policy in the East* (London, 1933). A special chapter deals with Iran.